

Message Text

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ACTION EUR-25

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PASS AGRICULTURE

E. O.: 11652: N/A DECON FOLLOWING DEC 31, 1974.

TAGS: ETDR, EEC, FR

SUBJ: REPORT ON MULTILATERAL NEGOTIATIONS BY NATIONAL ECONOMIC
AND SOCIAL COUNCIL

BEGIN UNCLASSIFIED

1. THE NATIONAL ECONOMIC AND SOCIAL COUNCIL, A CONSULTIVE BODY,
COMPOSED OF REPRESENTATIVES OF ALL SECTORS OF THE FRENCH ECONOMY,
HAS SUBMITTED TO THE GOF A LENGTHY REPORT CONTAINING ITS
RECOMMENDA-
TIONS ON THE MULTILATERAL TRADE NEGOTIATIONS. THE REPORT, WHICH
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WAS REQUESTED BY THE GOF, WAS DRAFTED BY A WORKING GROUP CHAIRED BY JACQUES FERRY, PRESIDENT OF FRENCH STEEL PRODUCERS ASSOCIATION, AND GABRIEL VENTAGOL, FORCE OUVRIERE UNION OFFICIAL.

2. FOLLOWING A DETAILED ANALYSIS OF THE WORLD TRADE AND PAYMENTS SITUATION, THE REPORT EXAMINES US NEGOTIATING OBJECTIVES AND SETS FORTH A RECOMMENDED EC NEGOTIATING STRATEGY.

3. THE COUNCIL STATES THAT US OBJECTIVES IN THE NEGOTIATIONS ARE CLEAR. ABOVE ALL THE US SEEKS TRADING ADVANTAGES TO HELP IT RESOLVE ITS BALANCE OF PAYMENTS PROBLEMS. CITING THE CONCLUSIONS OF THE FLANIGAN REPORT, THE COUNCIL STATES THAT THE US AIMS AT THE VIRTUAL DISAPPEARANCE OF THE CAP. THE US ALSO SEEKS TO DEFLECT JAPANESE EXPORTS TOWARD EUROPE. IF THESE MOVES ARE NOT SUFFICIENT, THE PRESIDENT WILL HAVE BROAD POWERS UNDER THE TRADE REFORM ACT TO IMPOSE SURTAXES, QUOTAS, ETC.

4. WITH REGARD TO EC NEGOTIATIONS STRATEGY, THE COUNCIL SAYS THE COMMUNITY SHOULD FOLLOW A CONSTRUCTIVE APPROACH BUT MUST INSIST ON A BALANCE OF CONCESSIONS. THE TRADE NEGOTIATIONS CANNOT BE LINKED TO MONETARY OR DEFENSE QUESTIONS. TRADE NEGOTIATIONS SHOULD NOT HAVE THE OBJECTIVE OF RESOLVING ANY ONE COUNTRY'S BALANCE OF PAYMENTS PROBLEMS. THUS, THE EC MUST INSIST THE NEGOTIATIONS ADHERE TO THE PRINCIPLE OF GLOBAL RECIPROCITY AS SPECIFIED IN THE US- EC DECLARATION OF FEBRUARY 1972.

5. THE COUNCIL CONCLUDES THAT THERE ARE CERTAIN FUNDAMENTAL PRINCIPLES WHICH MUST NOT BE THREATENED IN THE NEGOTIATIONS:

A) FULL EMPLOYMENT -- THIS COMMUNITY GOAL MUST NOT BE THREATENED BY ANY TRADE CONCESSIONS. THE EC SHOULD CONDUCT DETAILED STUDIES OF EACH ECONOMIC SECTOR TO ASSESS THE PROBABLE CONSEQUENCES OF ANY TRADE LIBERALIZATION.

B) THE CXT MUST BE PRESERVED AT AN ECONOMICALLY SIGNIFICANT LEVEL.

C) CAP -- BASIC PRINCIPLES OF CAP CANNOT BE SUBJECT TO NEGOTIATIONS.

D) EC AGREEMENTS WITH THIRD COUNTRIES -- THE INTEGRITY OF THESE SPECIAL RELATIONSHIPS MUST BE PRESERVED.

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6. THE COUNCIL REPORT ALSO RECOMMENDS THAT THE EC ESTABLISH PRE-CONDITIONS TO NEGOTIATIONS WITH THE US, INCLUDING A US COMMITMENT ON MONETARY QUESTIONS SUCH AS THE CONSOLIDATION OF DOLLAR BALANCES AND THE MAINTENANCE OF THE DOLLAR'S PRESENT PARITY WITHIN THE 2.25 MARGIN ESTABLISHED UNDER THE SMITHSONIAN AGREEMENT. IN ADDITION,

THE COUNCIL RECOMMENDS THAT THE EC ARM ITSELF WITH POWERS OF RETALIATION SIMILAR TO THOSE REQUESTED BY PRESIDENT NIXON IN THE TRADE REFORM BILL SUCH AS THE AUTHORITY TO IMPOSE A SURTAX TO OFFSET THE EFFECTS OF ANY FURTHER DEVALUATION OF THE DOLLAR. FINALLY, THE COUNCIL STATES THAT THE EC SHOULD SPECIFY THAT NO TRADE LIBERALIZATION MEASURES AGREED UPON IN THE TRADE NEGOTIATIONS WOULD BECOME EFFECTIVE UNTIL MULTILATERAL AGREEMENT HAS BEEN REACHED ON THE RESTORATION OF A STABLE MONETARY SYSTEM.

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7. COMMENT: THE ECONOMIC AND SOCIAL COUNCIL DOES NOT NORMALLY HAVE MAJOR INFLUENCE ON GOF POLICY. BUT THIS REPORT GIVES FORMAL AND OFFICIAL STATUS TO THE VIEWS OF MAJOR FRENCH INDUSTRIAL, LABOR, AND AGRICULTURAL INTERESTS. FOR THE MOST PART THESE VIEWS WERE ALREADY WELL- KNOWN, BUT THEIR COMPILATION IN A SINGLE REPORT WILL UNDOUBTEDLY TEND TO GIVE THEM ADDED WEIGHT IN THE FORMULATION OF SPECIFIC GOF POLICIES TOWARD THE TRADE NEGOTIATIONS. AT THIS POINT, IT APPEARS LIKELY THAT THE REPORT' S GENERALLY HARDLINE POSITIONS ON AGRICULTURE AND OTHER ISSUES OF MAJOR CONCERN TO THE US WILL REINFORCE THE GOF' S ALREADY TOUGH STANCE ON THESE QUESTIONS.

PERHAPS THE MOST TROUBLESOME FEATURE OF THE REPORT FROM THE US POINT OF VIEW IS ITS REFLECTION OF THE PERSISTENT FRENCH FEAR THAT THE WE VIEW TRADE NEGOTIATIONS AS A TOOL TO CORRECT OUR BALANCE OF PAYMENTS AND THUS SEEK UNILATERAL TRADE CONCESSIONS.

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